



21 November 2022

Subject Management Discussion and Analysis of Operating Results for the year ended 31 December 2021

To Director and Manager The Stock Exchange of Thailand

Kijcharoen Engineering Electric Public Company Limited would like to clarify the Management Discussion and Analysis of the Company's operating result for the year ended 31 December 2021 which was audited by the Certified Public Accountant as follows:

For the operating results in 2021, total revenues of the Company amounted to Baht 845.78 million increased by Baht 137.60 million or increased by 19.43 percent; and net profit of the Company amounted to Baht 94.09 million increased by Baht 3.07 million or increased by 3.38 percent mainly due to the following reasons:

Operating Results of the Company

Operating Results	2020		2021		Change	
	Mil.Baht	Percent	Mil.Baht	Percent	Mil.Baht	Percent
Sales of goods	697.88	98.55	839.77	99.29	141.89	20.33
Cost of sales	(504.08)	(72.23)	(625.99)	(74.54)	121.90	24.18
Gross profit	193.79	27.77	213.78	25.46	19.99	10.31
Other income	10.30	1.45	6.01	0.71	(4.29)	(41.64)
Administrative expenses	(50.81)	(7.17)	(63.82)	(7.55)	13.01	25.60
Selling expenses	(29.95)	(4.23)	(33.74)	(3.99)	3.78	12.64
Other gain (loss), net	0.58	0.08	1.65	0.20	1.07	183.39
Finance cost	(10.44)	(1.47)	(10.25)	(1.21)	(0.18)	(1.77)
Profit before income tax	113.48	16.02	113.64	13.44	0.16	0.14
Income tax	(22.52)	(3.18)	(19.61)	(2.32)	(2.91)	(12.93)
Net profit for the year	90.97	12.85	94.04	11.12	3.07	3.38

Sales of goods

For 2021, sales of goods of the Company amounted to Baht 839.77 million increased by Baht 141.89 million or increased by 20.33 percent from 2020, mainly due to an increases in purchase orders for the Company's products especially standard cabinet, wireway, and pull box. This was because the Company always focuses on the importance of product quality and fast delivery, therefore, the Company consistently gains trust from large customers. Also, as a result of the economic recovery after the COVID-19 pandemic situation in the previous year, the demand for the Company's products increased; for example, expansion in the construction industry from government construction and growth in the power generation business from industrial users who have started to



use more electricity following the signs of economic recovery in Thailand and expansion in exports that has continued since the beginning of 2021. In addition, Thailand has begun to reopen the country to tourists and household electricity users increased resulting from the rapid spread of the Omicron variant of COVID-19 during 2nd quarter to 3rd quarter of 2021 and the investment budget of both the public and private sectors increased in 2021.

Cost of sales

For 2021, cost of sales of the Company amounted to Baht 625.99 million increased by Baht 121.90 million or increased by 24.18 percent from 2020 mainly due to 1) an increase in cost of sales amount of Baht 112.06 million from an increase in the price of main raw material, which is steel sheet, that the world market price increased by 62.90 percent from 2020 due to an increase in imported raw material prices following the increase of steel prices in the world market and the decline in the supply of steel from China resulting in increased cost of sales. and 2) an increase in depreciation amount of Baht 7.16 million from the previous year mainly from a depreciation of buildings and factory building improvements from the entire business transfer (EBT) from companies related to the Company's major shareholders in 2021 and depreciation from additional machinery and equipment such as automatic spray guns purchased in late 2020 resulting in a slight decrease in gross profit of the Company from 27.77 percent in 2020 to 25.46 percent in 2021.

Administrative expenses

For 2021, administrative expenses of the Company amounted to Baht 63.82 million increased from year 2020 by Baht 13.01 million or increased by 25.60 percent, mainly due to 1) an increase in expenses related to administrative and office staff amount of Baht 7.11 million from the annual salary adjustment as well as the purchase of ATK test kits and COVID-19 vaccine as a welfare for employees and 2) an increase in other administrative expenses amount of Baht 6.13 million from recording the allowance for doubtful accounts

Selling expenses

For 2021, selling expenses of the Company amounted to Baht 33.74 million increased from the year 2020 by Baht 3.78 million or increased by 12.64 percent, mainly due to 1) an increase in expenses related to sales and marketing staffs amount of Baht 1.78 million from the annual salary adjustment for employees and 2) an increase in the transportation cost for delivering products to customers following an increase in purchase orders in 2021.

Finance cost

For 2021, finance cost of the Company amounted to Baht 10.25 million decreased from the previous year by Baht 0.18 million or decreased by 1.77 percent, which was similar to the previous year.

Net profit

For 2021, the net profit of the Company amounted to Baht 94.04 million increased by Baht 3.07 million or increased by 3.38 percent from the year 2020. The net profit margin of the Company was 11.12 percent in 2021, slightly decreased from the previous year mainly because the cost of goods increased by 33.84 percent. This was because the price of steel sheet, which is the main raw material of the Company, increased by 62.90 percent from 2020 as a result of an increase in the price of imported raw materials used in production in accordance with an increase of steel prices in the world market from the decline in the supply of steel from China resulting in increased cost of sales.

The Company has gradually adjusted the selling price according to the higher raw material costs and also managed the costs by entering into short-term purchase agreements for the main raw materials with suppliers in advance to lock the price of raw materials. While sales of goods increased by 20.33 percent from 2020. The Company was able to control the overall operating costs well, the total proportion of operating costs to total revenues was at 11.53 percent which slightly increased from the previous year due to an increase in administrative expenses related to administrative and office staff from purchasing ATK test kits and COVID-19 vaccine for the Company's employees. As a result, the net profit margin decreased from 12.85 percent in 2020 to 11.12 percent in 2021.

Statement of Financial Position

Financial Position	As of		As of		Change	
	31 December 2020		31 December 2021			
	Mil.Baht	Percent	Mil.Baht	Percent	Mil.Baht	Percent
Total current assets	244.00	33.24%	243.22	33.69%	(0.78)	(0.32%)
Total non-current assets	489.96	66.76%	478.66	66.31%	(11.30)	(2.31%)
Total assets	733.96	100.00%	721.88	100.00%	(12.08)	(1.65%)
Total current liabilities	358.71	48.87%	387.81	53.72%	29.10	8.11%
Total non-current liabilities	158.24	21.56%	129.53	17.94%	(28.71)	(18.14%)
Total liabilities	516.95	70.43%	517.34	71.67%	0.39	0.08%
Share capital	43.00	5.86%	43.00	5.96%	-	0.00%
Retained earnings	174.02	23.71%	161.54	22.38%	(12.48)	(7.17%)
Total equity	217.02	29.57%	204.54	28.33%	(12.48)	(5.75%)
Total liabilities and equity	733.96	100.00%	721.88	100.00%	(12.08)	(1.65%)



Assets

At the end of 2021, total assets of the Company decreased by Baht 12.08 million or decreased by 1.65 percent from the end of 2020, mainly due to the decrease in property, plant and equipment amount of Baht 15.77 million. This resulted from a depreciation amount of Baht 42.24 million, mainly from the depreciation of machines used in the Company's business operation. Meanwhile, there were additional investments in building construction, equipment, machines and molds as well as right-of-use assets were Baht 26.81 million. In addition, the Company received repayment from short-term loans to a related party.

Liabilities

At the end of 2021, total liabilities of the Company amounted to Baht 517.34 million, which slightly increased by Baht 0.39 million or increased by 0.08 percent from the end of 2020 because of an increase in current liabilities of Baht 29.10 million from normal operations of the Company. Meanwhile, non-current liabilities decreased by Baht 28.71 million from long-term loans from financial institutions, net and machine installment payable, net decreased by Baht 17.01 million and Baht 16.83 million, respectively, resulting from gradual repayment by the Company.

Equity

At the end of 2021, the equity of the Company decreased by 5.75 percent from the end of 2020 due to the interim dividend payment from the Company's retained earnings at the rate of Baht 250.00 per share for 430,000 shares, totaling Baht 107.50 million. According to the resolution of the Board of Directors Meeting No. 1/2021, dated 28 December 2021, such dividends were paid to shareholders on 28 December 2021.

Liquidity and capital adequacy

Items (Unit: Mil.Baht)	For the year ended 31 December	
	2020	2021
Net cash generated from (used in) operating activities	159.22	137.43
Net cash generated from (used in) investing activities	(130.14)	(8.43)
Net cash generated from (used in) financing activities	(25.51)	(132.13)
Net (decrease) increase in cash and cash equivalents	3.57	(3.31)
Cash and cash equivalents at the beginning of the year/period	0.60	4.16
Cash and cash equivalents at the end of the year/period	4.16	1.03

In 2021, cash and cash equivalents at the end of the year amounted to Baht 1.03 million, decreased by Baht 3.13 million from the beginning of the year, mainly due to 1) net cash used in financing activities amounted to Baht 132.13 million because of the interim dividend payment at the end of 2021 amount of Baht 107.50 million and a repayment of long-term loans from financial institutions, net amount of Baht 16.93 million, and 2) net cash



used in investing activities amounted to Baht 8.43 million mainly from cash paid for the purchase of property, plant and equipment, net amount of Baht 35.89 million from improvement in factory building and machinery and cash paid for the purchase of intangible assets of Baht 2.85 million such as various computer programs to use in the Company's operations; however, 3) net cash generated from operating activities amounted to Baht 137.43 million mainly from an increase in trade and other receivables amount of Baht 10.62 million and inventories amount of Baht 23.44 million in accordance to the growth of purchase orders and the growth in operating results in 2021 following the expansion of the economy and recovery of related industries such as construction and electricity industry, etc.

Key Financial Ratios

Key Financial Ratios	For the year ended 31 December	
	2020	2021
Liquidity Ratio (times)	0.68	0.63
Debt to Equity ratio (times)	2.38	2.53
Cash Cycle (days)	29.77	23.81

Liquidity Ratio

In 2021, liquidity ratio of the Company was 0.63 times compared with 0.68 times in 2020. The current liabilities of the Company increased by 8.11 percent due to increases in overdrafts and trade and other payables according to the expansion of the Company's business. Meanwhile, the current assets of the Company decreased by 0.32 percent from the previous year. This was mainly due to a decrease in short-term loans to related parties and the Company received repayment of accrued interest from such loans resulting in a decrease in other receivables of the Company. Moreover, in 2021, the Company paid dividends from the Company's retained earnings at the rate of Baht 250.00 per share for 430,000 shares, totaling Baht 107.50 million according to the resolution of the Board of Directors Meeting No. 1/2021, dated 28 December 2021, and such dividends were paid to shareholders on 28 December 2021. As a result, the liquidity ratio in 2021 slightly decreased from 2020.

However, liquidity ratios of the Company were lower than 1 time due to normal business operations. The Company ordered raw materials from suppliers to store at the warehouses for the production of finished goods. The raw material storage period is approximately 1-3 months depending on the trend of steel prices in the world market. During the upward trend of steel prices, the Company may consider reserving the steel sheet sufficient for an approximately 3-month period of production. The suppliers' credit term of payment for raw materials is approximately 60-90 days, so the Company had substantial trade accounts payable at the end of the period while the collecting period from customers is approximately 30-60 days. Besides, some customers, such as new customers or customers who order MTO products, will pay for the products in cash. Because the period for collecting money from customers is shorter than the credit term that the Company have to pay to suppliers, the Company has sufficient working capital for its operations. In addition, the Company has revolving short-term credit



facilities as promissory notes that when the debt is paid, the credit line can be used continuously. Importantly, the Company always has positive operating cashflows amounting to Baht 159.22 million and Baht 137.43 million in 2020 and 2021, respectively.

Debt to Equity ratio

In 2021, the total debt to equity ratio of the Company was 2.53 times, which slightly increased from 2020, mainly because total liabilities increased by 0.08 percent from 2020 from a decrease in long-term loans from financial institutions, net and a decrease in machinery installment payable, net that decreased from the gradual repayment while equity decreased by 5.75 percent from the previous year because of the dividend payout. As a result, the total debt to equity ratio increased in 2021. Moreover, there is a condition in the loan agreement between the financial institutions and the Company, requiring that the Company has to maintain the total debt to equity ratio at not more than 3.0 times and not less than 0 which the Company was able to maintain the such ratio.

Cash Cycle

In 2021, the Company had a cash cycle of 23.81 days, which decreased by 5.96 days from 2020. This indicated that the Company had better liquidity because the Company has efficient debt collection management resulting in a decrease in debt collection period by 23.79 days from the previous year. The Company has followed and coordinated with customers causing the debtors to pay debts as scheduled.